

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000402

SIPDIS

STATE FOR EAP/BCLTV, EB
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA, EOTF/FC PAUL DERGARABEDIAN
USPACOM FOR FPA

E.O. 12958: DECL: 04/03/2015

TAGS: [EFIN](#) [PGOV](#) [SNAR](#) [BM](#)

SUBJECT: BURMA: GOB SHUTS MONEY LAUNDERING BANKS

REF: A. RANGOON 138 AND PREVIOUS

[1](#)B. RANGOON 58 AND PREVIOUS

[1](#)C. 04 RANGOON 631 AND PREVIOUS

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[1](#)1. (C) Summary: After an opaque 16-month investigation, the GOB revoked the banking licenses of Asia Wealth Bank and Myanmar Mayflower Bank. The two banks had clear ties to narco-traffickers and money laundering; however, the GOB has made no public statement that the banks were closed for either of these reasons. In the short run government officials will take over the two banks to repay depositors and pull in whatever outstanding loans they can. In the longer term, the decision to liquidate rather than reform two of Burma's largest private banks could have a lingering economic impact. End summary.

The Axe Falls

[1](#)2. (C) On April 1, the GOB announced publicly that it had pulled the banking licenses of Asia Wealth Bank (AWB) and Myanmar Mayflower Bank (MMB) effective March 31. The announcement stated simply that "these two banks are found not complying with" banking laws. Despite evidence that both banks were tied to narco-traffickers and money laundering, the announcement did not claim that either bank had fallen afoul of the 2002 money laundering statute or the 1993 counternarcotics law. The GOB statement asserted that depositors could get all of their funds back beginning April 4, and that outstanding borrowers would have to settle their loans immediately or face "action under existing laws." This threat could be tricky to carry out, as some top cronies have significant unpaid loans due to AWB, according to a top AWB official. The number one crony, and SPDC arms procurer, Tay Za reportedly owes AWB 60 million kyat (\$65,000).

[1](#)3. (C) The motivations for the GOB's decision are not entirely clear. The GOB has been investigating the two banks for money laundering since November 2003, but that process has been completely opaque (ref C). According to one senior law enforcement source, the decision to close down the banks was based on the desire, in the wake of the January indictments of eight United Wa State Army (UWSA) leaders (ref A), to cut off easy access of narcotics trafficking organizations -- particularly the UWSA -- to the formal financial system. In his assessment, the decision was more a counternarcotics effort than an inaugural use of Burma's money laundering law. On the other hand, another GOB source told us recently that the Home Affairs Ministry, wherein resides the newly formed Financial Intelligence Unit, was under pressure from senior SPDC leadership to issue its judgment on AWB and MMB before the next meeting of the anti-money laundering Financial Action Task Force (FATF) in May. Burma remains on FATF's list of non-cooperative countries and territories.

[1](#)4. (C) In the short term, the banks will come under GOB control. According to a senior Central Bank of Myanmar (CBM) source, a CBM official will take over as administrator of AWB while a senior officer at the state-owned Myanmar Economic Bank will be the administrator for Mayflower. The source told us the CBM will ensure the banks have adequate liquidity (an estimated 20 billion to 30 billion kyat, or \$20 million to \$30 million) to pay back all depositors in due course. The administrators have been tasked with publishing a schedule for repayment of each account holder. AWB's and MMB's hard assets, both had many branches around the country, will be sold to pay off outstanding CBM debts (both from the 2003 crisis and this latest, and last, bailout).

Comment: Good First Step

[1](#)5. (C) Whatever the real motivation behind the banks' shuttering, from a money laundering standpoint the GOB's action, belated as it was, is a positive step. However, the decision to liquidate the banks -- rather than punish individuals and rehabilitate the institutions -- could have a negative long-term impact on the private banking system and the economy. As noted in ref B, AWB and Mayflower were two of the three largest banks prior to the February 2003 crash.

The third bank, Yoma, is still in limbo, inactive but extant, awaiting GOB decision on its future. The remaining private banks are too small to make an economic impact and, restricted by tight new GOB banking rules, have little room to grow. End comment.
Martinez